

**Regular Meeting
Board of Administration
Tacoma Employees' Retirement System**

10:00 a.m., Thursday, August 11, 2016
Tacoma Public Utilities
Administration Building North
Conference Room LT1
3628 S. 35th Street
Tacoma, Washington 98409

Minutes

Call to Order

Mayor Marilyn Strickland, Chair of the Retirement Board, called the meeting to order on Thursday, August 11, 2016.

Roll Call

Members Present: Mayor Marilyn Strickland, Sam Bencoter, Gordon Cavanaugh, Andy Cherullo, Matthew Hedges, John O'Loughlin, Kim Moore, Tadd Wille and Wayne Reed

Members Absent: Bill Gaines

Investment Advisory
Committee Present: Joseph Cook and Dr. Lynda Livingston

Investment Advisory
Committee Absent: Dr. Kevin Boeh, Dr. Alva Butcher

Others Present: Tim Allen, Retirement Director
Kathleen Mason, Recording Secretary
Catherine Marx, Interim Financial Manager
Martha Lantz, Deputy City Attorney

Presenters: Felicia Bennett, Wilshire Associates
Andrew Junkin, Wilshire Associates
Leah Hafterson, WSAO
Linda Mastin, WSAO

Citizen Comments

None.

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Consent Agenda

Upon motion by Andy Cherullo, seconded by Sam Benscoter, the Retirement Board moved to adopt the Consent Agenda and approve the drafted minutes of the July 14, 2016 Retirement Board meeting.

Change the Order of Business

The Chair adjusted the agenda to move Old Business – Investment Update to follow New Business – Exit Interview-Washington State Auditor.

New Business

Exit Interview – Washington State Auditor

Audit Lead Leah Hafterson and Linda Mastin of the Washington State Auditor's Office (WSAO), presented the Exit Conference for the 2015 Tacoma Employees' Retirement System's audit. The Washington State Auditor's Office Financial Statements Audit Report dated July 8, 2016, Report No. 1016994, was distributed to the Board at the meeting. A preliminary draft of the Washington State Auditor's Office Financial Schedule Audit Report for TERS, Report No. 1017274, was also distributed to the Board at the meeting. The auditors indicated that the final draft of Report No. 1017274 would be available on the WSAO website in approximately one week.

It was noted in the Independent Auditor's Report that the Tacoma Employees' Retirement System had received an unmodified audit opinion for calendar year 2015. There were no audit recommendations, no uncorrected misstatements and no material misstatements in the audited financial statements or schedule.

Old Business

Investment Update

Tim provided updates on recent meetings with investment managers Pantheon, Adelante and PIMCO.

In reviewing Eaton Vance's white paper on floating-rate loans, Tim shared perspectives and comments by Investment Advisory Committee (IAC) members Kevin Boeh and Alva Butcher (not present at the meeting). He also solicited comments from the IAC members that were present for their opinions. Andrew Junkin, Wilshire, also opined on the Eaton Vance product.

Following discussion, Tim indicated that he would develop an addition to the Investment Policy Statement to clarify the use of leverage at the mandate level in the TERS investment portfolio.

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New Business

Wilshire Presentation

The Retirement Board and Investment Advisory Committee received the Executive Summary – 2nd Quarter 2016 from Wilshire Associates in hard copy.

Andrew Junkin presented the Economic Overview and Executive Summary of Performance, including a review of the TERS plan asset allocation and investment performance for the quarter ended June 30, 2016.

The Tacoma Employees' Retirement System's rates of return were reported as follows: 3.12% for the Second Quarter, 2.63% for the one-year period, 7.78% for the three-year period, 7.71% for the five-year period, and 5.88% for the ten-year period ended June 30, 2016.

The Executive Summary of Performance for the period ending June 30, 2016 serves as an addendum to the minutes.

Felicia Bennett presented the Wilshire Review of Asset Classes that included a TERS overview, a history of TERS' asset allocations, a review of individual asset class characteristics and a list of possible future portfolio revisions.

Upon motion by Sam Benscoter and seconded by John O'Loughlin, the Board approved moving \$10 million from the Minimum Volatility Global Equity mandate to the Cap Weighted Global Equity portfolio as a rebalancing action.

LUNCH – The Board took a lunch break at 11:30 a.m. and reconvened at 12:00 noon.

TERS 2016 Budget Review

Catherine Marx, Interim Financial Manager, presented the TERS Budget Status Report for the year-to-date ending June 30, 2016. Investment earnings showed a negative variance as market returns lagged expectations.

Public Meetings/Public Records Training

Martha Lantz, Deputy City Attorney, provided Public Meetings, Public Records and Ethics training to the Board as required by the Washington State Open Government Trainings Act.

Retirement Director's Report

The Retirement Director's report serves as an addendum to the minutes.

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Good of the Order

Retirement Transactions Report – July 2016

The Retirement Transactions Report – July 2016 was provided to the Board.

Dashboard Report

The Dashboard Report for June 30, 2016 was reviewed with the Board. The report is provided to the Board twice a year.

Additional Topics

The TERS 2015 Comprehensive Annual Financial Report (CAFR) and the Summary Annual Financial Report (SAFR) were distributed to the Board.

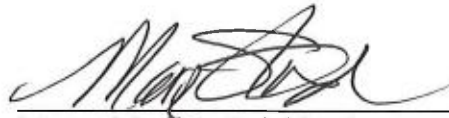
Upon motion by Andy Cherullo, seconded by Matt Hedges, the Board approved John O'Loughlin's attendance at the Institutional Investor Roundtable Conference in Chicago.

Adjourn

Mayor Strickland adjourned the meeting at 1:19 p.m.



Kathleen Mason
Recording Secretary



Mayor Marilyn Strickland
Board Chair